

IA 100

IOWA CAPITAL GAINS DEDUCTION SCHEDULE (ATTACH TO YOUR IA 1040)

1996

Name(s) as shown on page 1 of Form IA 1040

Social Security Number

GENERAL INSTRUCTIONS: If you are taking a capital gains deduction on line 23 of the IA 1040, you **MUST** complete and attach this schedule to your return. All taxpayers must complete lines 1 through 10. Nonresidents and part-year residents must also complete lines 11 through 15.

| | SPOUSE | YOU |
|---|----------|-----------|
| 1. Enter net qualifying gain/loss | 1b _____ | 1a _____ |
| 2. Enter capital gain/loss from line 6, IA 1040 | 2b _____ | 2a _____ |
| 3. Enter the lesser of lines 1 or 2 | 3b _____ | 3a _____ |
| 4. Enter the total of lines 3a and 3b IF LINE 4 EQUALS ZERO OR LESS STOP HERE. YOU MAY NOT TAKE THIS DEDUCTION. | | 4 _____ |
| 5. Qualifying capital gains limitation: Enter \$17,500 or \$8,750 if filing status 4 | | 5 _____ |
| 6. Enter the lesser of line 4 or 5 | | 6 _____ |
| 7. Multiply line 6 by 45% | | 7 _____ |
| 8. Divide line 3A by line 4 and enter percentage here. If less than zero, enter zero. This percentage may not exceed 100%. | | 8 _____ % |
| 9. Multiply the percentage on line 8 by the amount on line 7 and enter here and on line 23 column a of the IA 1040 | (you) | 9 _____ |
| 10. Subtract line 9 from line 7 and enter here and on line 23 column b of the IA 1040 | (spouse) | 10 _____ |

**COMPLETE LINES 11 THROUGH 15 ONLY IF YOU OR YOUR SPOUSE
ARE A NONRESIDENT OR PART-YEAR RESIDENT**

| | | |
|---|-----------|---------------|
| 11. Enter Iowa net qualifying capital gain/loss | 11b _____ | 11a _____ |
| 12. Enter total net qualifying capital gain/loss from line 1 | 12b _____ | 12a _____ |
| 13. Divide line 11 by line 12 and enter the percentage here. If less than zero, enter zero. This percentage may not exceed 100%. | 13b _____ | % 13a _____ % |
| 14. Enter amount from line 10 on line 14b and enter amount from line 9 on line 14a | 14b _____ | 14a _____ |
| 15. Multiply the amount on line 14 by the percentage on line 13 and enter the result. Enter the amount of line 15b on line 23 column b of the IA 126. Enter amount of line 15a on line 23 column a of the IA 126. | 15b _____ | 15a _____ |

GENERAL INSTRUCTIONS FOR FORM IA 100

For tax years beginning on or after January 1, 1990 you may take a deduction equal to forty-five percent of certain qualifying capital gain as an adjustment to income. The maximum amount of qualifying capital gains that may be included in computing the deduction is \$17,500 for all filing statuses except for married taxpayers filing separate returns, filing status 4, for which the maximum amount of qualifying capital gains is \$8,750.

For sales made on or after January 1, 1990, a partial deduction of qualifying capital gains may be taken if the gain resulted from the sale of the following:

- Real property used in a business in which the taxpayer *materially participated for 10 years, and which has been held for a minimum of ten years immediately prior to its sale.
- Cattle and horses used for breeding, draft dairy or sporting purposes held for 24 months or longer if more than 50% of the taxpayer's gross income was from farming or ranching.
- A business in which the taxpayer was employed or in which the taxpayer *materially participated for ten years, and which has been held by the taxpayer for a minimum of ten years immediately prior to its sale. The sale of a business means the sale of all or substantially all of the tangible personal property or service of the business.
- Breeding livestock other than cattle and horses held for 12 months or longer if more than 50% of the taxpayer's income was from farming or ranching.
- Timber held by the taxpayer for at least one year. Timber includes evergreen trees, such as Christmas trees, that are more than six years old at the time they are cut and sold for ornamental purposes.

The Iowa Capital Gain Deduction and Net Operating Losses. For tax years beginning on or after January 1, 1994, the capital gain deduction otherwise allowable is not allowed in computing a net operating loss deduction for purposes of carrying the net operating deduction to another tax year.

Capital gains from the sale of rental property, stocks and/or bonds do not qualify for this deduction.

Capital Gains on Installment Sales. In the case of installment sales of real property, tangible personal property or other assets of business where the selling price of the business assets is paid to the seller in more than one year, only installments received in the 1990 year qualify for this deduction. Further, when applying an NOL to tax year 1994 or later, the capital gain deduction is not allowed in carryback or carryover tax year and must be added back to that year's income to the extent of the NOL.

IA 100 LINE INSTRUCTIONS

1. Enter the total of your net qualifying capital gain/loss from sale of assets described above.
2. Enter the amount from line 6, IA 1040.
3. Enter the lesser of line 1 or 2. The qualifying capital gains used to figure your deduction may not exceed your total net capital gains reported on line 6 on the IA 1040.
4. Add lines 3a and 3b and enter the total. If this line is zero or less you may not take this deduction.
5. Enter \$17,500 on line 5 unless you are married filing separately, status 4. If you are married filing separately, enter \$8,750 on this line.
6. Enter the lesser of lines 5 or 6. The amount of qualifying capital gains may not exceed \$17,500 or \$8,750 if you are filing separately, status 4.
7. Multiply the amount on line 6 by 45%.
8. Divide line 3a by 4. This is the percentage of capital gains deduction attributable to you. If the calculated percentage is less than zero, enter zero. This percentage may not exceed 100%.
9. Multiply the percentage on line 8 by the amount on line 7. This is the amount of capital gains deduction to be allocated to you. Enter on line 9 and on line 23, column a, Form IA 1040.
10. Subtract line 9 from line 7. This is the amount of capital gains deduction to be allocated to your spouse if you are filing separately on a combined return. Enter on line 10 and on line 23, column b, Form IA 1040.
11. Enter the amount of net qualifying gains or losses reported on line 1 that are attributable to Iowa sources.
12. Enter the amount from line 1.
13. Iowa capital gains percentage. Divide line 12 by line 11. If the calculated percentage is less than zero enter zero. This percentage may not exceed 100%.
14. Enter the amount from line 10 on line 14b. Enter the amount on line 9 on line 14a.
15. Multiply the amount on line 14 by the percentage on line 13. Enter the amount of line 15b on line 23, column b of the IA 126. Enter the amount of line 15A on line 23, column a of Form IA 126.

* Iowa follows the federal criteria and definitions for determining "material participation" for purposes of the capital gains deduction for sales of business assets that retired or disabled farmers are considered to have materially participated in a farm activity for the period prior to the sale, if the farmer materially participated in farm activity, 5 of the 8 years immediately prior to retirement or disability. A surviving spouse of a deceased farmer is considered to be materially participating for the year if the farmer met the material participation requirements at the time of death and the spouse actively participates in the farming business activity. An individual who has materially participated in a business for 5 of the past 10 years is considered materially participating for the current year and an individual who has materially participated in a personal service business for at least 3 years is considered to be materially participating for life.

If a question should arise as to the extent of a taxpayer's participation in a business, the burden of proof is on the taxpayer to show the participation in the business was material.